

Transcript Prepared By the Clerk of the Legislature  
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Rough Draft

Appropriations Committee  
February 24, 2009

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[AGENCY 32]

RICHARD ENDACOTT: (Exhibit 1) My name is Richard Endacott, and I am the new executive secretary of the Nebraska Board of Educational Lands and Funds, which I like to refer to as the school trust. Previously... [AGENCY 32]

SENATOR HEIDEMANN: Could you spell your last name. [AGENCY 32]

RICHARD ENDACOTT: E-n-d-a-c-o-t-t, excuse me. Previously we have not had a representative appear before this board. But when I met Senator Hansen and Ms. Sostad, they both invited me kindly to come and appear before this committee. And so I gladly accepted and appreciate the opportunity to do so to explain a little bit about the Board of Education and to answer your questions. The board is a self-funded trust funded by our income from agricultural land, and we were organized pursuant to the enabling act signed by Abraham Lincoln in 1864. As a trust, our board functions as trustees under mandatory fiduciary duty toward our beneficiaries, who are the schoolchildren of Nebraska. The page I believe has passed out a chart, and I'd just like to briefly explain that to you before we get to any questions you may have. As you can see, our expenditures beginning in 1979 have been much less than the CPI rate, which is the inflation rate, always much lower. The dotted line is our budget, and you can see that we have stuck within our budget on all of those occasions. The blips there in 1988 and '89 were when we had to purchase a building to house our facility and the new computer operation. Other than that, it's been really pretty steady. And we're proud of the fact that we've been able to maintain budgets and expenditures far below the rate of inflation. Are there any questions about the chart before you go into any other questions? Do you have any other questions about the Board of Educational Lands and Funds? We do a budget in May. It increases about 2 to 4 percent. Last year our expenditures were 86 percent of our budget. And we do believe in the philosophy of carrying things over and not spending it simply because it's in the budget. [AGENCY 32]

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SENATOR HEIDEMANN: Thank you for coming in today. Are there any questions?  
Senator Hansen. [AGENCY 32]

SENATOR HANSEN: Do you know the total number of acres that's held by the school?  
[AGENCY 32]

RICHARD ENDACOTT: 1.34 million acres, sir. [AGENCY 32]

SENATOR HANSEN: At a valuation of what? [AGENCY 32]

RICHARD ENDACOTT: The valuation as of June 30 of 2008 was \$677 million. We feel that probably between then and now it's appreciated up close to about \$690 million. So land, as you all know, is appreciating very rapidly and we are attempting to sell land. We have \$150 million worth of land on our priority land sale list, but it takes time. And many of the lands are subject to leases so they can't be sold terribly readily. But we do have a new provision that we're putting in our leases which is a call provision which enables us to terminate a lease if we do get a bid that fits the appraisal price on the priority land sale property. [AGENCY 32]

SENATOR HEIDEMANN: Senator...go ahead. [AGENCY 32]

RICHARD ENDACOTT: One other thing I was going to say is that there have been some criticism about not selling more land. But if you look at the history of the sales over the last ten years, we have sold \$52 million worth of land in the last ten years from the Board of Educational Lands and Funds. The problem, ladies and gentlemen, is that land is appreciating so fast relative to the permanent fund which is stocks and bonds, which are the result of the sales of lands that we're our own worst enemy and that the land keeps going up and the bonds go down so we become a higher percentage of the total fund. [AGENCY 32]

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SENATOR HEIDEMANN: Senator Nantkes. [AGENCY 32]

SENATOR NANTKES: Mr. Endacott, I don't have any specific questions as per your budget request, but I did want to just take a moment to thank you for coming in. This is my first time as a member of this committee I think that we've seen a representative from this agency. And I just want to commend you and wish you the best of luck in your new leadership role and just let you know how grateful and appreciative I am to have this new spirit of partnership with your agency. And so thank you. [AGENCY 32]

RICHARD ENDACOTT: Thank you. And we really want to be very open in our dealings with all state government and legislatures. And if you have any questions at any time, just feel free to contact me or our staff. We want to fully cooperate with all of your requests. [AGENCY 32]

SENATOR HEIDEMANN: Senator Wightman. [AGENCY 32]

SENATOR WIGHTMAN: Mr. Endacott, I, too, thank you for being here. You talked about the \$677 million. Is that appraised in the same method that the county...lands within the county, privately owned lands are appraised or do you do your own appraisal on your land? [AGENCY 32]

RICHARD ENDACOTT: We have ten field representatives around the state. Half of those are certified general appraisers. So when we put land on sale list or put it on...evaluate it for the lease, those gentlemen appraise the property. They compare it with comparable sales in the area, comparable leases in the area and also the land must be sold at higher than the tax value. [AGENCY 32]

SENATOR WIGHTMAN: And one of the questions that arises here, of course, is that if it's privately owned land the improvements belong to the landowner where in most instances the improvements here belong to the tenant. Is that correct? [AGENCY 32]

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RICHARD ENDACOTT: That's true. And at the time of the termination of the lease or a sale, the new buyer or new lessee must purchase those improvements at an appraised cost, which our appraisers utilize. [AGENCY 32]

SENATOR WIGHTMAN: So even fencing, stock wells, irrigation wells, all of that equipment belongs to the tenant rather than the land... [AGENCY 32]

RICHARD ENDACOTT: In most cases, not in all cases. [AGENCY 32]

SENATOR WIGHTMAN: Not all. [AGENCY 32]

RICHARD ENDACOTT: There are some cases where the trust owns stock wells or they may have received property that tenants decided not to take. But in most cases, those improvements belong to the tenants and that's the understanding from the start. [AGENCY 32]

SENATOR WIGHTMAN: And when the lease changes hands, as you say, that's purchased from the tenant and not included in your leasehold interest. [AGENCY 32]

RICHARD ENDACOTT: That's purchased from the tenant, yes. [AGENCY 32]

SENATOR WIGHTMAN: Right. Thank you. [AGENCY 32]

SENATOR HEIDEMANN: Are there any other questions? Seeing none, thank you. [AGENCY 32]

RICHARD ENDACOTT: Thank you. [AGENCY 32]

SENATOR HEIDEMANN: Is there anyone else wishing to testify on Agency 32?

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[AGENCY 32]

STEVEN COBB: Maybe I'm premature. I am the State Surveyor and the State Surveyor's Office is division 2 of Agency 32. Generally...and we are General Funded.

[AGENCY 32]

SENATOR HEIDEMANN: Okay. [AGENCY 32]

STEVE COBB: Okay. My report is very short because as the State Surveyor I thank...

[AGENCY 32]

SENATOR HEIDEMANN: Could you state and spell your name for us. [AGENCY 32]

STEVEN COBB: Yes. Steven Cobb, C-o-b-b. [AGENCY 32]

SENATOR HEIDEMANN: Thank you. [AGENCY 32]

STEVEN COBB: Sorry. I'd like to thank the Appropriations Committee for your consideration of our budget, and I appreciate that and I accept the committee's recommendation. I'd like to take a moment and thank Sandy for all of her help in the preparation of our budget. It's always nice to work with Sandy. [AGENCY 32]

SENATOR HEIDEMANN: Well, thank you. [AGENCY 32]

STEVEN COBB: You bet. [AGENCY 32]

SENATOR HEIDEMANN: We have a great fiscal staff, I will say that myself. Are there any questions? Seeing none, thank you. [AGENCY 32]

STEVEN COBB: Okay. I'm also the secretary for the Board of Examiners for Land

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Surveyors which is next, Agency 62. [AGENCY 32]

SENATOR HEIDEMANN: Okay. With that, we will close the public hearing on Agency 32 and open up the public hearing on Agency 62, the State Board of Examiners for Land Surveyors. [AGENCY 32]